

U.S. Seaports and the Importance of Intermodal Transportation

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Good morning Mr. Chairman and distinguished Members of the Subcommittee; my name is Bobby Bray. I have been working at the Port for the past 38 years and have been Executive Director of the Virginia Port Authority since 1978. It is my distinct honor and privilege to appear before you today to discuss the Virginia Port Authority's experience with intermodalism.

As you all know, America is the largest consuming nation in the world. You also probably know that containerization reshaped the global economy. In fact, we celebrated the 50th anniversary of containerization just a couple of months ago here in Washington, D.C.

Today, it is possible to ship large quantities of goods over great distances very economically. This economical transportation is made possible by the use of containers that can be transferred from one mode of transportation, such as a ship, to another, such as a rail car, very quickly and efficiently. Intermodal transportation is the backbone of the modern supply chain for consumer goods, and directly benefits the U.S. consumer.

Every major forecast prepared in the last five years indicates that containerized cargo moving through U. S. ports will more than double during the next ten to fifteen years. Over 90% of this cargo moves through ten major ports. The U.S. Chamber of Commerce study "Trade and Transportation, A Study of North American Port and Intermodal Systems, March 2003" forecasts that most major ports will reach capacity by 2010.

Every U.S. port is struggling to handle projected container volumes. We are in a race to expand our ports and our inland road and rail infrastructure. The success of these expansion plans will rely on intermodal transportation. Let me explain.

Please recall the West Coast labor lock out in 2002. This was a significant event to international shippers around the world who realized just how fragile the global supply chain was and the significant economic impact that would result from any disruption. As a result, shippers began to diversify trade routes and entire logistics systems. They

diverted cargo from the West Coast to the East Coast by all water routes and they have kept those services in place, even after the lockout cleared. No longer, will the majority of the Asian container cargo move through the ports of L.A. and Long Beach, but rather will be shipped via alternative routes that keep the cargo on the water until it is closer to its final destination or closer to a less congested transportation system.

Shippers continue to seek alternatives and we have seen this interest all along the eastern seaboard. As an example the South Carolina State Port Authority received letters of interest from 13 shippers to develop a private terminal that would have created a large port capable of handling a significant volume of containerized traffic destined for markets in the hinterland. Ultimately, South Carolina decided to retain the development as a public project.

Mobile, Alabama; Houston; Tampa; Jacksonville; Savannah; Southport, North Carolina; Baltimore – all have plans to expand or create new port capacity. These port expansion plans attempt to address our looming national shortfall in container cargo handling capacity. Perhaps the best indicator of this tremendous effort is the APM/Maersk's private investment of more than \$450 million of its own money to build a 300-acre terminal in Portsmouth, Virginia. This is the first time that a shipping line has invested its own money to build a marine terminal from scratch in the United States.

When asked why Maersk would make such a large investment, the answer is simple. Shippers need:

- Large tracts of land to construct marine terminals,
- Access to deep water to accommodate the huge container ships, and
- Access to good road and rail networks to efficiently transfer goods from the seaport to the hinterland markets.

This investment will guarantee Maersk a place to move their cargo through one of America's greatest international gateways.

Over 55% of the containerized cargo moving over the docks at The Port of Virginia originates, or is destined for areas outside of Virginia – primarily to the Midwest. In fact, the Port of Virginia is a major international gateway to America's Heartland, a gateway that will continue to grow. This flow of cargo relies on an intricate network of road and rail that will become stressed as container volumes continue to increase.

Recently, Congress provided nearly 50% of the funding (through SAFETEA-LU) for the Heartland Corridor. With the seed money provided by Congress, the states of Virginia, West Virginia, and Ohio, along with private investment from Norfolk Southern provided the balance of the funding necessary to complete improvements to this important rail corridor to enable the route to handle double stack container trains. I believe more goods movement intermodal projects need to be funded to address the explosion of container cargo that has been forecast by so many.

To meet the growing container volumes, we must focus our attention on moving more cargo by rail. We have all read the stories of how our highway system is overstressed. The National Highway System was originally designed for the purpose of moving freight to accommodate our national defense mobilization efforts. The highway system was so

successful, that it also spurred great mobility of the American public. Now our highways are heavily congested with commuters in urban areas. We cannot simply build our way out of the highway congestion problem. Additional freight moving over the rail network will help us meet future needs. Increasing the use of rail to move containerized cargo will require more partnerships between the Federal, state, local and private partners.

One small example of partnerships between the public and private sectors is the chassis pool we recently created in Virginia. The U.S. is one of only a handful of countries where chassis to haul containers are provided by the ship lines. In most countries, the chassis is provided by the trucker. This system of trucker owned chassis creates a need to maintain a large inventory of chassis for each ship line. This existing system is wasteful. The Port of Virginia worked with our major ship lines to create a single chassis pool for all truckers. The chassis are more reliable, better maintained and there are fewer of them to take up valuable space at the waterfront. The chassis pool has been in operation for a year and has been very successful. We need these types of partnerships and forward thinking ideas on the National, state and local levels.

The Port of Virginia has 50-foot deep channels, and piers capable of handling the largest container ships envisioned. With the excellent road and rail connections that are available, the Port of Virginia has worked diligently over the last 20 years to be in a position to provide the intermodal services required to continue to meet trade demands of the U.S. market for years to come. Other ports have followed suite – Savannah continues to grow and look for opportunities to expand, Houston is moving forward with plans to add a new terminal, Charleston is looking to renovate the former Navy base, and even North Carolina plans to construct a new terminal in Southport.

These port plans are indeed required to meet the future container volumes; however, by themselves they are not enough. The U.S. will require additional port expansion and better utilization of our entire transportation system – rail and highway – to be able to swiftly move containers, and their products.

Thank you.